

1951

ANNUAL REPORT



J. C. PENNEY COMPANY
INCORPORATED

~~~~~  
**OPERATING 1621 RETAIL STORES**  
~~~~~



1951 ANNUAL REPORT



J. C. PENNEY COMPANY

A DELAWARE CORPORATION

Two Year Comparison

	<u>1951</u>	<u>1950</u>
Number of Stores.....	1621	1612
<hr/>		
Sales	\$1,035,201,519.05	\$949,711,735.43
Average Sales per Store.....	638,619.07	589,151.20
Net Earnings	33,465,139.75	44,930,816.28
Earnings per Share.....	4.07	5.46
Taxes — Federal, State and Local.	58,379,919.84	49,392,793.61
Taxes per Share.....	7.09	6.00
Dividends	26,753,844.00	28,811,832.00
Dividends per Share.....	3.25	3.50
Earnings retained for reinvestment in the business.....	6,711,295.75	16,118,984.28
Inventories	139,648,512.77	164,813,510.27
Stockholders' equity	197,625,951.77	190,914,656.02
<hr/>		
Number of Stockholders.....	28,818	28,500

To the Stockholders of J. C. Penney Company

March 5, 1952

On April 14, 1952, J. C. Penney Company will celebrate the fiftieth anniversary of the opening of Mr. Penney's first store, in Kemmerer, Wyoming. Its sales for the first year were \$28,000. In 1951 the annual sales of our Company, for the first time, passed the billion dollar mark. This letter is not the place to recount in detail the story of the intervening years. Before commenting on the results of our operation for 1951, however, it may be appropriate to restate for you, our stockholders, the basic principles which guide J. C. Penney Company.

J. C. Penney Company Policies

The early Penney stores operated under the name of "Golden Rule Stores" because Mr. J. C. Penney believed that the principles of the Golden Rule should govern not merely a man's personal relationship with others but also the conduct of business. Early in our Company's history a formal statement of Company policies was adopted, interpreting the Golden Rule in terms of the Penney Company's operation. This statement follows:

1. To serve the public, as nearly as we can, to its entire satisfaction.
2. To expect for the service we render a fair remuneration and not all the profit the traffic will bear.
3. To do all in our power to pack the customer's dollar full of quality, value and satisfaction.

4. To continue to train ourselves and our Associates so that the service we give will be more and more intelligently performed.

5. Constantly to improve the human factor in our business.

6. To reward the men and women of our organization through participation in what the business produces.

7. To test our every policy, method, and act in this wise: Does it square with what is right and just?

Adherence to Policies

Our Company has been blessed from the very beginning up to the present time by the influence and inspiration of Mr. J. C. Penney, our Founder. For 43 out of the 50 years, until his untimely death in 1950, Mr. Earl C. Sams was Mr. Penney's closest associate, serving as Company president for 30 years, and then as chairman of the Board. Under the leadership of these two men and through their precept and example, the management of the Penney Company has striven at all times to shape its operation by these basic policies. We believe that the fundamental soundness of these policies and close adherence to them have been, and still are, in large part, responsible for the growth and development of the J. C. Penney Company.

1951 Sales

1951 was the first year in which

Penney sales passed the billion mark. The figure was \$1,035,201,519.05, as compared with the previous year's total of \$949,711,735.43, a gain of \$85,489,783.62, or 9.00%.

Financial Position and Inventory

On December 31, 1951, cash and short-term Government securities totalled \$148,238,676.73, as compared with the 1950 figure of \$117,550,934.98. Merchandise inventories on December 31, 1951, amounted to \$139,648,512.77. This was \$25,164,967.50 less than the corresponding figure of the year before. During the early months of 1951, because of the stimulus of scare buying by consumers generally, inventories became somewhat excessive. By the last quarter of 1951, however, they had been brought well in line, as evidenced by the year-end figure.

Earnings and Taxes

Net earnings for 1951 were \$33,465,139.75, or \$1.07 per share. For 1950 earnings were \$44,930,816.28, or \$5.46 per share. This decrease in earnings was due partly to the decrease that took place in 1951 in wholesale prices on many textiles. In a period of declining prices it has always been the policy of the Penney Company to adjust its retail prices and to maintain a strong competitive position. In 1951 this, of course, resulted in additional markdowns particularly in the second half of the year. Operating expenses were somewhat higher because of higher wage scales and the increased cost of transportation, supplies and most other items.

Another reason for the decrease in net earnings was increased taxes. The comparative figures for 1950 and 1951 show that taxes for 1950 amounted to \$6.00

per share and for 1951 had increased to \$7.09 per share.

Stockholders

The number of registered stockholders of J. C. Penney Company common stock on the record date of December 14, 1951, was 28,818. This total included owners of Penney stock in each of the 48 states, as well as in eight foreign countries. A number of letters were received from stockholders, as well as other customers, during the year. Most of these letters were written either to commend unusual acts of courtesy or special services rendered by Penney associates in different stores, or to offer constructive suggestions for the improvement of this business. Naturally such letters are always welcome.

New Stores and Improvements

Twelve new stores were opened during the year. Three small stores were closed, so that the total number of stores in operation at the year-end was 1621. Our program for improving existing stores was continued in 1951. In 27 communities stores were relocated in improved buildings. Over 150 stores were modernized either through the addition of more space or through improved fixtures or redecoration. Government restrictions have deferred the carrying out of a number of other projects which had been planned. These will be completed when restrictions are removed. Approximately 14 new stores will be opened during 1952.

Merchandise

The great bulk of the merchandise sold by the Penney Company is composed of so-called "soft goods" — that is textiles, clothing and footwear. There

was no general shortage of goods in these lines in 1951. The law of supply-and-demand and the active competition in retailing, operated more directly to keep prices down or to reduce them than did Government price controls. Unless there is some drastic change in the international situation, present indications are that there will be ample supplies of merchandise available in our lines in 1952.

Personnel

No report of J. C. Penney Company would be in any sense adequate without reference to the people who make up this organization. Thousands of Penney salespeople give helpful, intelligent, and friendly service to millions of customers. This is the result, we believe, not only of the constant effort to make Penney's a good place in which to work, but also of the leadership of the 1621 store managers, who have the final responsibility for their individual stores.

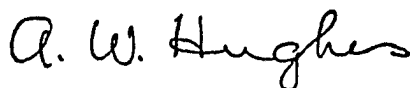
In our central offices and warehouses another group of interested and loyal associates make their contribution to our Company's function in the economic life of this country — the distribution of good merchandise at money-saving prices and at a reasonable profit. The Company recognizes, in a financial way, our associates' efforts through profit-sharing, both for the management group and for the great body of Penney associates. This principle has been of pri-

mary importance in the development of this business. I would be remiss, in reporting to you the results for 1951, however, if I did not express very sincere thanks for the fine cooperation and the earnest endeavors of our Penney personnel in every branch of this business.

Outlook

The prospects for any business in these days depend so much on international and national developments that any prophecy as to the future is hazardous. We do know that the national income is at a very high level and that savings in recent months have reached abnormal proportions. This means that Penney customers have money to spend. This Company has grown steadily for fifty years through adherence to the tested policies outlined earlier in this letter. We believe that you, our stockholders, can have confidence that the Penney Company will continue to advance in a sound way and that your Company is prepared to assist an increasing number of American families in finding the things they need and want.

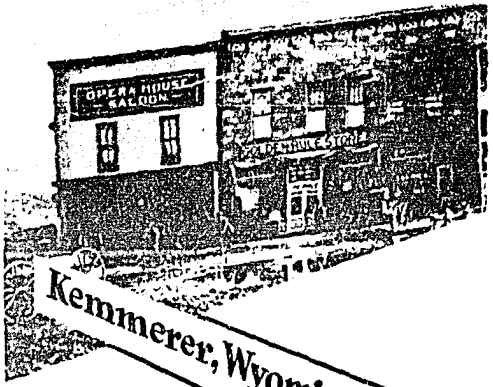
Sincerely,



President

The Annual Meeting of Stockholders will be held on April 21st, 1952. You are cordially invited to attend this meeting. A proxy statement, with a request for proxies, will be mailed to stockholders on or about March 21st. It will be appreciated if you give your prompt attention to the Proxy Statement and Proxy when received.

The Road Has Been Strai



Kemmerer, Wyoming, early 1900's



Thomasville, Ga. Today

GROWTH HAS BEEN SOUND AND CONSISTENT

1902 Sales: \$28,000

1951 Sales: Over \$1,000,000,000

On pages 8 and 9 are tabulations of year by year sales figures and stores by states. These indicate steady and consistent growth over the years and the nation-wide coverage of present J. C. Penney Company stores.

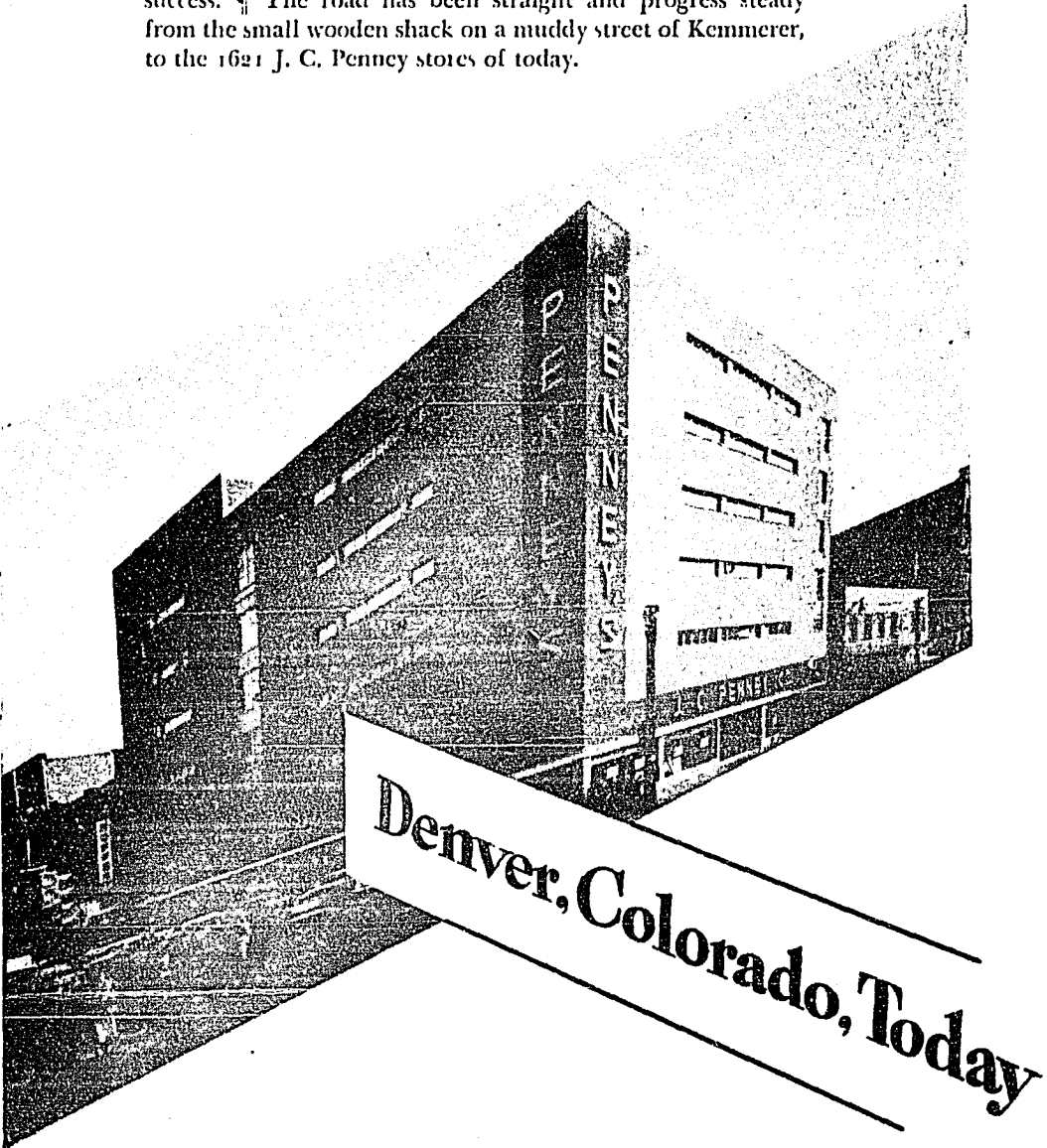
raight...The Progress Steady!

SIMPLICITY OF OPERATION A PENNEY KEYNOTE

The first Penney stores were called Golden Rule, and the principles under which they were operated have guided and governed the business ever since. ¶ Thoughtful consideration for customers, suppliers, associates and stockholders has been a Penney Company objective from the earliest days. This, coupled with a never-ending effort to keep the business simple and as free as possible from costly and time consuming methods and procedures, has been our key to growth and success. ¶ The road has been straight and progress steady from the small wooden shack on a muddy street of Kemmerer, to the 1621 J. C. Penney stores of today.



Today



Year-By-Year Sales Figures

1902-1951

<u>YEAR</u>	<u>NO. OF STORES</u>	<u>GROSS BUSINESS</u>	<u>YEAR</u>	<u>NO. OF STORES</u>	<u>GROSS BUSINESS</u>
1902	1	\$ 28,898.11	1927	892	\$ 151,957,865.20
1903	1	63,522.95	1928	1,023	176,698,989.14
1904	2	94,165.49	1929	1,395	209,690,417.77
1905	2	97,653.54	1930	1,452	192,943,765.42
1906	2	127,128.36	1931	1,459	173,705,094.52
1907	2	166,313.82	1932	1,473	155,271,981.19
1908	4	218,432.35	1933	1,466	178,773,965.06
1909	6	310,062.16	1934	1,474	212,053,361.46
1910	14	662,331.16	1935	1,481	225,936,100.88
1911	22	1,183,279.96	1936	1,496	258,322,479.00
1912	34	2,050,641.99	1937	1,523	275,375,137.32
1913	48	2,637,293.72	1938	1,539	257,963,945.53
1914	71	3,560,293.75	1939	1,554	282,133,933.64
1915	86	4,825,072.19	1940	1,586	304,539,325.64
1916	127	8,428,144.34	1941	1,605	377,571,710.99
1917	177	14,881,203.14	1942	1,611	490,295,173.10
1918	197	21,338,103.60	1943	1,610	489,888,090.69
1919	197	28,783,965.42	1944	1,608	535,362,894.30
1920	312	42,846,008.53	1945	1,602	549,149,147.67
1921	313	46,641,928.20	1946	1,601	676,570,117.03
1922	371	49,035,729.06	1947	1,603	775,872,590.75
1923	475	62,188,978.73	1948	1,601	885,195,136.87
1924	569	74,261,343.00	1949	1,607	880,200,216.98
1925	674	91,062,616.17	1950	1,612	949,711,735.43
1926	747	115,683,023.37	1951	1,621	1,035,201,519.05

J. C. PENNEY COMPANY

BALANCE SHEET AS OF DECEMBER 31, 1951 IN COMPARISON WITH DECEMBER 31, 1950

ASSETS	<u>1951</u>	<u>1950</u>
CURRENT ASSETS:		
Cash in banks and on hand	\$123,286,333.81	\$ 84,444,766.64
U. S. Government securities—at cost, plus accrued interest (approximate market price)	24,952,342.92	33,106,168.34
Accounts receivable—miscellaneous	2,658,025.59	1,516,921.60
Merchandise (Note 1)	139,648,542.77	164,813,510.27
Total Current Assets	<u>290,545,245.09</u>	<u>283,881,366.85</u>
Investment in and Advances to J. C. Penney Build- ing & Realty Corporation (wholly owned sub- sidiary)—at amounts shown by subsidiary's balance sheet:		
Advances	5,507,000.00	5,316,000.00
Capital stock and retained earnings	1,837,007.41	1,716,378.04
	<u>7,344,007.41</u>	<u>7,032,378.04</u>
Property and Equipment, at not in excess of cost, less provision for depreciation:		
Land	1,031,047.96	1,001,047.96
Buildings, less provision for depreciation, \$835,745.23 at December 31, 1951 and \$761,841.46 at December 31, 1950	2,239,444.46	1,623,701.55
Furniture and fixtures, less provision for depreciation	25,926,710.12	23,133,236.39
Improvements to leaseholds, less amortization	3,642,477.34	3,746,585.30
	<u>32,839,679.88</u>	<u>29,504,571.20</u>
Prepaid Expenses and Deferred Charges—Lease- hold Advances, Unexpired Insurance Premiums, etc.	2,209,091.03	2,018,779.40
	<u>\$332,938,023.41</u>	<u>\$322,437,095.49</u>

NOTES:

1—Inventories are stated at the lower of cost or market determined as follows:

Merchandise in stores—lower of cost or market determined by the retail method Stocks in warehouses and with manufacturers, including raw materials shipped to manufacturers—cost determined by the first-in first-out method and market on the basis of replacement cost.

2—Under the Company's long standing practice most of its properties are occupied under leases. At December 31, 1951 the total of minimum annual fixed rentals payable under leases (excluding those with its wholly owned subsidiary) expiring after December 31, 1956 was approximately \$6,600,000. Leases covering about 75% of this amount expire on various dates prior to December 31, 1971.

J. C. PENNEY COMPANY

BALANCE SHEET AS OF DECEMBER 31, 1951 IN COMPARISON WITH DECEMBER 31, 1950

LIABILITIES	<u>1951</u>	<u>1950</u>
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 69,068,342.05	\$ 71,905,788.48
Dividends payable in January of following year	14,405,916.00	16,463,904.00
Provision for Federal taxes on income	49,246,606.32	40,533,247.47
Total Current Liabilities	<u>132,720,864.37</u>	<u>128,902,939.95</u>
 Reserves for Fire Losses, Employees' Death Benefits, Etc.		
	<u>2,591,207.27</u>	<u>2,619,499.52</u>
 Stockholders' Equity:		
Common Stock, no par value:		
Authorized, 9,000,000 shares.		
Outstanding, 8,231,952 shares	<u>34,122,766.67</u>	<u>34,122,766.67</u>
 Retained Earnings:		
J. C. Penney Company	161,666,177.69	155,075,511.31
J. C. Penney Building & Realty Corporation (wholly owned subsidiary)	<u>1,837,007.41</u>	<u>1,716,378.04</u>
	<u>163,503,185.10</u>	<u>156,791,889.35</u>
Total Stockholders' Equity	<u>197,625,951.77</u>	<u>190,914,656.02</u>
	<u>\$332,938,023.41</u>	<u>\$322,437,095.49</u>

ACCOUNTANTS' REPORT

To the Board of Directors,
J. C. Penney Company,
New York, N. Y.

We have examined the balance sheet of the J. C. Penney Company as of December 31, 1951 and the related statements of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of earnings and retained earnings present fairly the financial position of the J. C. Penney Company at December 31, 1951 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y.,
March 5, 1952.

PEAT, MARWICK, MITCHELL & CO.

J. C. PENNEY COMPANY

STATEMENTS OF EARNINGS AND RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1951 IN COMPARISON WITH THE YEAR ENDED DECEMBER 31, 1950 (Including earnings of subsidiary)

EARNINGS

	1951	1950
Sales	\$1,035,201,519.05	\$949,711,735.43
Deduct:		
Cost of Merchandise Sold, and Selling and General Expenses (exclusive of items set forth below)	933,636,851.70	848,332,185.55
Maintenance and Repairs	2,333,729.93	1,952,063.79
Depreciation and Amortization	4,451,861.41	4,003,804.68
Taxes, other than Taxes on Income	8,699,919.84	7,752,793.61
Company Contributions to Retirement Plans ...	5,474,107.74	4,241,049.16
	<u>954,596,470.62</u>	<u>866,281,896.79</u>
	80,605,048.43	83,429,838.64
Add Discount on Purchases and Miscellaneous Income, less Miscellaneous Charges	2,419,461.95	2,813,361.14
Earnings before Provision for Taxes on Income	<u>83,024,510.38</u>	<u>86,243,199.78</u>
Provision for Taxes on Income:		
Federal (including \$6,200,000 excess profits tax in 1951 and \$3,700,000 in 1950)	48,700,000.00	40,500,000.00
Other income taxes	980,000.00	1,140,000.00
	<u>49,680,000.00</u>	<u>41,640,000.00</u>
	33,344,510.38	44,603,199.78
Add Earnings of Subsidiary, including profit from sale of Crescent Corset Company, Inc. in 1950	120,629.37	327,616.50
Net Earnings for the year	<u>\$ 33,465,139.75</u>	<u>\$ 44,930,816.28</u>

RETAINED EARNINGS

Balance at beginning of year	\$ 156,791,889.35	\$140,672,905.07
Net Earnings for the year	33,465,139.75	44,930,816.28
	<u>190,257,029.10</u>	<u>185,603,721.35</u>
Dividends Paid—(\$3.25 per share, 1951; \$3.50 per share, 1950)	26,753,844.00	28,811,832.00
Balance at end of year	<u>\$ 163,503,185.10</u>	<u>\$156,791,889.35</u>

Note:

Common stock outstanding at end of year	Shares	8,231,952	8,231,952
Earnings per share		<u>\$4.07</u>	<u>\$5.46</u>

J. C. PENNEY COMPANY
A DELAWARE CORPORATION

DIRECTORS

J. C. PENNEY, *Chairman*

F. A. BANTZ

F. W. BINZEN

J. F. BROWN

J. I. H. HERBERT

A. W. HUGHES

L. W. HYER

G. E. MACK

E. A. ROSS

H. H. SCHWAMB

H. F. TORREY

OFFICERS

J. C. PENNEY
Chairman of the Board

A. W. HUGHES

President

H. H. SCHWAMB

Vice-President—Personnel

G. E. MACK

Executive Vice-President and Treasurer

H. F. TORREY

Vice-President—Sales

F. A. BANTZ

Vice-President—Merchandise

A. J. RASKOPF

Secretary

J. F. BROWN

Vice-President—Real Estate and Construction

R. C. WEIDERMAN

Comptroller